

# **Supplement No. 1**

pursuant to Section 16 para. 1 of the German Securities Prospectus Act  
(*Wertpapierprospektgesetz*)

dated 13 August 2014

to the

## **Registration Document**

dated 11 April 2014

of

**Citigroup Global Markets Deutschland AG,**

**Frankfurt am Main**

**(the "Issuer")**

This Supplement is drawn up in connection with the publication of the issuer's semi annual financial information as of 31 May 2014 (the "**Semi-Annual-Report**"), which has been published on 31 July 2014.

The information contained in the Registration Document shall be supplemented as described in the following:

*1. In section "14. Financial information concerning the Issuer's assets and liabilities, financial position and profits and losses" on page 22 of the Registration Document the subsection "14.3 Significant change in the financial condition or trading position of the Issuer" shall be deleted and replaced by the following subsections:*

**"14.3 Interim Financial Information**

The issuer is disclosing unaudited interim financial information on the first six months of the fiscal year 2014. The Balance Sheet as of 31 May 2014 and the Income Statement for the first six months of the fiscal year 2014 were prepared under the responsibility of the issuer according to German Accounting Standards.

The unaudited interim financial statements of the issuer as of 31 May 2014 are included in this Registration Document in Annex III on pages H-1 through H-47.

**14.4 Significant change in the financial condition or trading position of the Issuer**

There has been no material change in the Issuer's financial condition or trading position since the date of the last interim financial statements (31 May 2014)."

*2. The information in section "18. Documents on display" on page 23 of the Registration Document shall be deleted and replaced by the following information:*

"During the valid term of this Registration Document, copies of the following documents are available for inspection:

- (a) the Issuer's articles of association;
- (b) the audited annual financial statements of the Issuer for the fiscal years 2013 and 2012;
- (c) the unaudited interim financial statements of the Issuer as of 31 May 2014.

A hard copy of the documents (a) to (c) may be inspected during normal office hours at the Issuer's place of business located at the following address: Legal Department, Reuterweg 16, 60323 Frankfurt am Main."

*3. The pages H-1 through H-47 contained in the Appendix to this Supplement are added as "**Annex III: Interim Management Report for the Half-Year Financial Report as of 31 May 2014**" after page G-80 of the Registration Document.*

The Supplement and the Registration Document are available free of charge at the offices of Citigroup Global Markets Deutschland AG, Frankfurter Welle, Reuterweg 16, 60323 Frankfurt am Main and furthermore are available on the website of the Issuer at [www.citifirst.com](http://www.citifirst.com).

**Pursuant to article 16 para. 3 of the German Securities Prospectus Act, investors who have already agreed to purchase or subscribe for securities before this Supplement has been published shall have the right, exercisable within a time period of two working days (or such longer period as may be required by a relevant jurisdiction) after the publication of this Supplement, to withdraw their acceptances, provided that the new factor, mistake or inaccuracy arose before the final closing of the offer to the public and the delivery of the securities.**

**Addressee of a withdrawal is Citigroup Global Markets Deutschland AG, Attn. Legal Department, Frankfurter Welle, Reuterweg 16, 60323 Frankfurt am Main.**

## **Appendix**

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ANNEX III: INTERIM MANAGEMENT REPORT FOR THE HALF-YEAR FINANCIAL REPORT  
AS OF MAY 31, 2014

Interim Balance Sheet as of 31 May 2014 Page H-30

Income Statement for the Period of 1 December 2013 through  
31 May 2014 Page H-34

Notes to the Half-Year Financial Report as of 31 May 2014 Page H-36

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# Citigroup Global Markets Deutschland AG

Interim Management Report for the Half-Year Financial  
Report  
as of May 31, 2014

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# 1 Background Information about the Bank



## 1.1 Organization and legal structure

Citigroup Global Markets Deutschland AG (hereinafter referred to as “CGMD” or “Bank”) is a direct, wholly-owned subsidiary of Citigroup Global Markets Finance Corporation & Co beschränkt haftende KG (hereinafter referred to as “CKG”) and has its registered offices in Frankfurt am Main, Germany. There is a profit (loss) transfer agreement in place with that company. The ultimate parent company is Citigroup Inc. (Delaware, USA).

The Citi Group (hereinafter referred to as “Citi”) has divided its worldwide business operations into “Citi Corp” and “Citi Holdings”. Citi Corp contains the group’s core business, whereas the assets held in Citi Holdings are expected to be reduced or sold off over time. CGMD, together with its listed business divisions, belong to the Citi Corp sub-group and are therefore a part of the Group’s core business. The current and future development of CGMD is influenced by the strategic development of Citi.

CGMD is headquartered in Frankfurt am Main and maintains a branch office in London. As of May 31, 2014, CGMD had 267 employees. The Bank is managed by the Executive Board, which is appointed by the Supervisory Board.

The Bank is a fully licensed bank within the meaning of § 1 (1) of the German Banking Act (“KWG”) and had a balance sheet total of EUR 9,730.1 million (per May 31, 2014).

## 1.2 Bank business model and strategic positioning

CGMD benefits from its integration in Citi, and maintains local business relations with about 120 core customers, including most of the DAX-listed companies. The clients, who make up the strategically selected and targeted client group, include not only the most important, globally active corporate, insurance and banking groups and the governments of the Federal Republic and the Federal States, but also other public institutions in Germany. There are also business relationships with numerous subsidiaries of international groups in Germany, which maintain in their respective home countries a business relationship with other entities belonging to the Citi Group.

The key benchmark for managing CGMD is the operating efficiency. This benchmark is constantly monitored by the Executive Board. In order to optimize this financial performance indicator, the Bank engages in active cost management.

In Germany, CGMD has all of the main staff departments (corporate governance functions) on site, including Lending, Internal Audits, Financial Control, Compliance and Anti-Money Laundering, Risk Management, Legal, Data Protection, Tax, Treasury, O&T as well as Human Resources. Various internal functions have also been outsourced to other Citi Group business entities.

CGMD has in the past strengthened its Risk Management and Internal Audits departments both qualitatively and quantitatively in order to accord with the regulatory requirements. For operational and technical support of the processes needed to perform the services, CGMD works together with various Citi service centers located in Dublin, Warsaw and Budapest. Moreover, the technology services required by CGMD are outsourced to Citibank N.A., Frankfurt Branch (“CNAF”) and cover the areas of technology infrastructure (“CTI”) and the applications support (“ICG Technology”). CGMD also uses applications, which are set up in the global computer center network.

All operational business in Germany has been set up in CGMD. The Bank ensures the functionality of the important control and monitoring tasks in CGMD in the form of O&T Risk and Control and enhanced deployment of outsourcing managers (“Outsourcing Managers”).

As projected, CGMD did not make any significant changes to its business model during the first six months of fiscal year 2014. The business and risk strategy for 2014 was once again reviewed by the Executive Board and Supervisory Board and the priorities contained in the strategy confirmed.

### **1.3 Major business divisions**

CGMD is divided into three major business divisions: Corporate & Investment Banking (“CIB”), Markets, and Treasury & Trade Services (“TTS”). They represent the core business activity of CGMD. Securities & Funds Services (“SFS”), which was still independent in the past fiscal year, was integrated into the Markets division at the commencement of fiscal year 2014.

Corporate Banking provides comprehensive support and advice to CGMD core clients and to the German subsidiaries and branch establishments of foreign companies. The latter organizations are supported and advised by the Global Subsidiary Group (“GSG”) unit. The services offered by Corporate Banking include brokering syndicated and bilateral loans and Citi products and services, as well as coordinating the product or service offerings and advising clients within the worldwide Citi network.

Investment Banking supports the clients by providing advisory services in connection with mergers and acquisitions and covers the corporate finance business including transactions in the capital markets segment.

The Markets division encompasses the business of issuing warrants, certificates, stocks and bonds, the management of foreign exchange, stock trading and the sale of structured credit and interest rate products and advising our clients in interest rate and currency risk management. Moreover, the Bank’s Risk-Treasury group has been set up in the Markets division. Of these products, only the warrants and certificates (which are issued by CGMD) and the hedges related thereto are entered on the Bank’s own books. For all other products, CGMD serves merely in a brokerage or intermediary role. Moreover, the Bank’s Risk Treasury and Securities & Funds Services (“SFS”) division are part of the Markets division. The services offered by “Securities & Funds Services” include custody & clearing services for broker-dealers, universal banks and global securities firms, investor relations (services in asset and wealth management), and issuer services (services in connection with the issue of securities).

The “Treasury & Trade Services” division (TTS) offers its clients cash management, commercial cards, liquidity management and trade financing.

## 1.4 Internal control system

The strategic and operational decisions for CGMD are made by CGMD's Executive Board. The Executive Board is supported and monitored by Supervisory Board. The Executive Board meets monthly and when needed, and the Supervisory Board meets quarterly. CGMD also has an Advisory Board, which likewise meets quarterly and advises CGMD on political, macroeconomic and other strategic matters. Moreover and in accordance with the internal and external policies and requirements of corporate governance, the Bank has set up various committees that monitor, access and approve all procedures and control processes. For the meetings of the Executive Board, the Supervisory Board and the other working groups, the members of those bodies are given reports about all significant activities, initiatives and risks and about the status of all areas of the business and staffing. The individual Executive Board members sit on various committees (for example, the Country Coordinating Committee, Audit Committee, Business Risk, Compliance, and Control Committee, New Product Committee).

The Executive Board will receive from the Risk Management Department regular reports (on a daily, monthly and quarterly basis) regarding the status of significant risks of CGMD as well as daily reports from the Financial Control Department about the number of existing or newly approved large-exposure credits, drawdowns, the status of any security or collateral, legal lending limits and their utilization and any credit risk on a commitment-by-commitment basis. The Supervisory Board Chairman also attends the Executive Board meetings as a guest.

In addition to the aforementioned Committees, the Asset Liability Committee ("ALCO") meets each month to focus on balance sheet management, cash flow management and risk management of the German Citi companies. The ALCO also monitors compliance with the capital adequacy requirements and examines the legal and regulatory requirements.

The New Product Committee reviews all of the Bank's new products and the risks related thereto, and approves them where appropriate.

Significant parameters with regard to managing the CGMD business model on the basis of US GAAP accounting include regular analysis of the risk bearing capacity and - since the middle of 2013 - the calculation of the "operating efficiency" (costs versus income) for individual divisions as well as for the entire Bank. A strategic target, which the bank is seeking, is a range of 50 – 60% in the Group. The risk bearing capacity, which is based on equity capital resources, is constantly reviewed and is the foundation for allocating potential risk to the individual business divisions. If necessary, adjustments to the risk limits are made. Regarding initiated risk capital limits and corresponding escalation procedures, efforts are made to ensure that during the year the risk bearing capacity is in line with the business development. Countervailing developments can therefore be anticipated early. The Bank establishes a strategic plan for a 3-year period, which Executive Board discusses on quarterly basis or more frequently where necessary. If appropriate, modifications are incorporated.

In the opinion of the Executive Board, the internal control system of CGMD satisfies the requirements of orderly management.

## 2 Economic Report

## 2.1 Overview of the business performance so far in 2014

The business development of CGMD proceeded for the most part favorably in the first half of fiscal year 2014. The continually upbeat financial markets helped the Bank generate good trading results and stable commission income. Since interest rates remained low and demand for loans was weak, net interest income was low relative to total earnings.

The Bank is projecting earnings for the relevant business divisions on the basis of US GAAP figures. As of May 31, 2014, these figures were compared against the *pro rata* budget figures as per the end of May 31, 2014. The results show a 69.2% budget attainment, and thus the forecasted targets have so far not been met.

In the report set forth below, the previous year comparative figures shown on the balance sheet items refer to the reporting date November 30, 2013. In the income statement, the prior year comparison period is December 1, 2012 through May 31, 2013.

## 2.2 Net assets

The balance sheet total of CGMD as of May 31, 2014 decreased from the prior year by EUR 3,786.0 million to EUR 9,730.1 million. The largest single line items on the balance sheet are receivables from banks in the amount of EUR 2,952.2 million (prior year: EUR 3,292.2 million) and liabilities owed to banks in the amount of EUR 1,861.3 (prior year: EUR 1,938.1 million) and the assets in the trading portfolio totaling EUR 6,421.1 million (prior year: EUR 9,983.4 million). As of the balance sheet date, the Bank reported liabilities in the trading portfolio totaling EUR 6,329.4 million (prior year: EUR 9,905.3 million).

As of the balance sheet date, the Bank had no “securitized liabilities”. The amount reported in the prior year totalled EUR 74.4 million and involved a US-denominated loan participation note that was issued to hedge a certain USD-denominated receivable from a bank and was repaid in April 2014.

The trading portfolio assets and liabilities result largely from warrants and include the traded products recognized at market value. The decrease in trading portfolio assets and liabilities as of the reporting date is due to the fact that certain products reached maturity, knock-out thresholds (and the related settlements) were achieved, the Bank bought back issues, and the subsequent listing was halted.

In addition, a special item was created (“fund for general banking risks”) pursuant to § 340g HGB in the amount of EUR 16.6 million (prior year: EUR 13.3 million).

The Company’s equity capital as of May 31, 2014, including the capital contribution, totaled EUR 590.5 million (prior year: EUR 590.5 million) and included a silent contribution in the amount of EUR 122.7 million (prior year: EUR 122.7 million).

Contingent liabilities based on guarantees and warranties declined to EUR 559.8 million (prior year: EUR 545.2 million).

Irrevocable credit commitments totaled EUR 668.6 million (prior year: EUR 732.9 million)).

## 2.3 Financial condition

Since Citigroup's European liquidity management is centralized at CGMD, which serves as the point of contact with the ECB, CGMD places most of Citigroup's EUR-dominated excess cash flow with the Central Bank on a daily basis. In the recently completed fiscal year, CGMD was in a position at all times to meet its payment obligations. Moreover, any and all liquidity requirements mandated by law were satisfied at all times. No significant capital expenditures are planned which would cause the liquidity situation to worsen. Investments are made solely on a short-term basis.

The Bank generally does not engage in maturity transformations. Most of the maturities are receivables and liabilities, which are owed to or from banks and clients, and are short-term and denominated for the most part in EUR. The number of receivables and liabilities, which are denominated in foreign currencies, is not significant.

In order to cover unforeseeable liquidity risks in Euros, other suitable agreements are in place with sister companies, which give CGMD direct access to assets that are suitable as collateral for the ECB (bonds). This portfolio can be changed only with the express consent of the Corporate Treasurer of CGMD.

In the aftermath of the negative interest approved in June by the ECB with regard to the liquidity provided in same-day funds, the Bank is currently reconsidering its previous strategy with respect to liquidity management.

## 2.4 Results of operation

For the first half of fiscal year 2014, CGMD reported a profit (before transfer to CKG and silent partners) in the amount of EUR 26.5 million (prior year: EUR 1.4 million).

Due to the Bank's participation in the central bank's geopolitical programs, net interest income rose to EUR 4.0 million (prior year: EUR 3.2 million.) in the first half of the year.

Commission income increased by EUR 16.5 million to EUR 61.0 million (prior year: EUR 44.5 million). Commission income consists predominantly of transfer pricing revenue from brokering transactions with affiliated companies, for example, in order to broker products from other Bank divisions such as Fixed Income, Fixed Income Derivatives and Equity and Equity Derivatives. This item also includes commissions earned on securities transactions and Eurex products. The increase in commission income resulted primarily from a true-up of the intra-Group charges, which the Bank issued for the services performed in the past fiscal year in connection with the support of international clients. At the same time, commission expenses fell by EUR 1.4 million.

In the first 6 months of fiscal year 2014, the Bank booked net income from the trading portfolio in the amount of EUR 30.0 million (prior year: EUR 28.8 million), which related to dividends received and to transactions with warrants and certificates. This is related to, above all, the favorable development on the international financial markets and the related climb in the stock indexes.

Personnel expenses fell by EUR 4.8 million to EUR 34.5 million (prior year: EUR 39.3 million) mostly because of the restructuring costs incurred in the prior year and the lower overall salary expenses in the current year.

Other administrative expenses climbed by EUR 3.0 million to EUR 35.9 million (prior year: EUR 32.9 million).

The profits, which were transferred under the profit transfer or partial profit transfer agreement, are attributable to CKG in the amount of EUR 17.0 million and to the silent partners in the amount of EUR 9.5 million.

Overall, the Bank views the developments in the first half of fiscal year 2014 as gratifying. We view the Bank's net assets, financial condition and results of operation as solid.

## 2.5 Key financial performance indicators

### Financial Performance Indicators

Description of the quantities applied in the internal control system on the basis of the figures prepared for the Bank according to the US GAAP as of June 30 of any given year:

	January 1, 2014 – June 30, 2014	January 1, 2013 – June 30, 2013	Change
Operating Efficiency in % (Costs / income on the basis of EBIT per US GAAP)	64	94	-30

	May 31, 2014	November 30, 2013	Change
Total risk coverage in USD million per US GAAP	596	561	35
Risk utilization USD million	276	283	(6)
Risk utilization in %	46	50	(4)

### Other key financial ratios

Using a number of key figures for the fiscal year, the table below provides an economic comparison with the prior commercial fiscal year and thereby reveals the business development of CGMD. They are also key influencing factors for measuring the operating efficiency.

	May 31, 2014 EUR m.	November 30, 2013 EUR m	Change	
			EUR m	%
Balance sheet total	9,730	13,516	3,786	(28)
Business volume	10,959	14,794	3,835	(26)
Equity capital	591	591	0	0
Loan portfolio	4,875	5,101	(226)	(4)



Description of the individual components (not a complete listing):

	December 1, 2013– May 31, 2014 EUR m	December 1, 2012– May 31, 2013 EUR m	Change	
			EUR m	%
Interest result from operations	4	3	1	26
Commission income from brokerage business	40	20	20	97
Commission income from securities business	8	8	0	0
Net income from trading operation	30	29	1	3
General administrative expense	70	72	(2)	(3)

The equity capital shown on the balance sheet as of the balance sheet date consists of the following:

	May 31, 2014 EUR m.	November 31, 2013 EUR m	Change
Subscribed capital			
Share capital	210.6	210.6	–
Silent partner capital	122.7	122.7	–
Capital reserve	196.3	196.3	–
Legal reserve	33.0	33.0	–
Other earnings reserve	27.9	27.9	–

The equity capital required under the banking regulations and § 10 KWG consist of core capital and supplemental capital (subordinated liabilities) after approval as follows:

	31. Mai 2014 EUR Mio.	30. Nov. 2013 EUR Mio.
Equity capital reported on the balance sheet	590.5	590.5
plus		
Funds for general banking risks per § 340g HGB	13.3	13.3
less		
Intangible assets	0	0
Core capital	603.8	603.8
Supplemental capital	0.0	0.0
Equity capital	603.8	603.8
Capital ratio		
Core capital %	35.4	37.5
Total capital ratio in %	35.4	37.5

#### Personnel and non-financial performance indicators

On May 31, 2014, CGMD employed 267 workers (prior year: 270) including employees at the London branch. Personnel planning is a component of the Bank's strategic planning and is tied to developments in the banking sector and the financial markets. If decisive changes take place due to market developments, then there will be a timely adjustment to the human resource planning which is, where possible, in line with the required social welfare conditions.

The corporate culture at Citi is founded on the Bank's existing culture of achievement, which in turn is the basis for the business success. By communicating clear and structured principles, we strengthen this culture by:

- setting goals and reviewing performance
- differentiating performance
- fostering a diverse pool of employees and equal opportunity.

CGMD's involvement in community services is carried out by its employees. In various projects, CGMD offers support to those in need by making donations and assigning work and helps young students in their career planning.

The Global Community Day ("GCD") is an event that occurs once a year. Citi employees are committed to working on social welfare projects on the GCD, i.e., visiting nursery schools, nursing homes and elementary schools.

## 3 Outlook

### **3.1 Expectations for Bank performance**

In the first half of fiscal year 2014, the Bank – as expected – did not make any changes in its business model. CGMD will continue to focus on its core business in the remaining six months and turn its attention to maintaining the current market share and increasing it, if possible. During the remaining months of the fiscal year 2014, the Bank’s management will conduct disciplined cost and balance sheet management. The main focus in this respect will be on improving the operating efficiency (the ceiling for fiscal year 2014 will remain at no more than 60%) and on further strengthening its corporate governance. In this connection, and as budgeted for 2014, the Bank slightly increased the number of employees in this area.

Optimizing internal procedures will also remain a focus. There is no plan to significantly expand the client portfolio, the volume of business and the selection of products and services. The Bank intends, however, to selectively add strategically important clients to its client base, to the extent that a business model can be developed which provides sustainable economic benefits to these clients and to Citi. The credit standing of the current client portfolio is still viewed as stable, and no significant exposure is anticipated from it. The currently available risk capital is viewed as absolutely adequate for running the current business model.

The Bank has made an upward adjustment to the earnings forecast that was provided in its 2013 management report for the current fiscal year 2014 and - based on the first half-year, the forecasts in the individual business divisions for the second half of the year, and the aforementioned measures - expects an overall profit, which will be higher than the profits earned in fiscal year 2013.

### **3.2 Solvency**

Due to the stable balance sheet structure and the solid overall conditions, CGMD’s ability to pay its debts as they fall due (i.e., its solvency) was and is guaranteed at all times. It had also that ability at all times for the first-half of fiscal year 2014.

### **3.3 Significant opportunities and risks for the business divisions**

#### **3.3.1 Markets**

In the Markets division, the commission income generated in client-based transactions during the first six months was at about the same level it was during the same period of the prior year. The business division expects a stable development in the Fixed Income and Equity divisions for the remaining months of fiscal year 2014. This projection is predicated on the continuing positive general mood of the international capital markets.

The Warrants/Certificates division is able to report positive performance in the first-half year of fiscal year 2014. The net income from trading operations was considerably higher than the comparative period of the previous year. The division continues to expect that earnings will remain above the prior year level for the remaining six months. The Bank continues to view as critical the strong competition among the leading investment banks. The Bank expects the promulgation of additional regulatory requirements that will need to be integrated into the business operation.

The Foreign Exchange Management division has generated lower commission earnings in the first six months compared to the same period of the prior year. The Bank continues to anticipate lower exchange rate volatility and therefore lower earnings over the coming six months than in the prior year.

The commission income in the SFS division is at the same level as it was in the same period of the prior year. With the same volume in the Securities Settlement division and with global stock indexes remaining at such high levels, the division expects earnings to equal those of fiscal year 2013 on an annualized basis.

### **3.3.2 Corporate & Investment Banking**

In the advisory business, the Bank was able in a favorable market environment to significantly increase commission income compared to the same period in the previous year. On an annualized basis, the Bank is staying with its projections and expects earnings to be at the same level as fiscal year 2011/2012.

In the corporate client sector, the Bank has profited in the first-half of the year from a true up payment within the Group, which included the work provided in this division in connection with advising international clients for the past fiscal year.

Overall, the Bank expects a continued stable environment in the lending business, moderate growth in the activities in the corporate client business and in the advisory divisions for mergers and acquisitions as well as capital market transactions; trends that should lead to slightly higher revenues for 2014 in general.

### **3.3.3 TTS**

The commission income in the TTS division matched the earnings generated in the prior year period. With volume in payment transactions and in the Trade Financing division remaining the same, this division is projecting that earnings will be at the same level as in fiscal year 2013 on an annualized basis.

### **3.3.4 General opportunities and risks**

#### **Risks**

In the remaining months of the fiscal year, risks could arise from the loss of personnel that has taken place in key income-generating positions.

The general regulatory environment and the imponderables related thereto could greatly impair the attractiveness of various divisions and products. The increased demand in infrastructure, reporting and minimum capital reserves will generate considerably higher expenses.

More consolidation by clients with respect to their banking connections and sinking market volumes suggests that margin pressure will increase.

#### **Opportunities:**

In the remaining six months of the year, the Bank can offset the risks in connection with cost increases by exploiting the synergies existing in the Group and by optimizing the analyses of client needs, the relevant product development and the client support.

The Bank also still plans to proactively leverage opportunities that could arise from changes in the regulatory environment and the enactment of new regulations.

#### **Miscellaneous risks:**

The Bank continues to engage in an active dialogue with the tax authorities in an effort to reach a final clarification about the tax treatment in the certain product segments. The Bank has set up a provision in the amount of € 2m for possible costs which could be incurred in connection with legal advice.

## 4 Risk Report

## 4.1 Organization of the risk management

The organizational structure and workflow of the risk management system is set forth in detail in the “Institutional Client Group (“ICG”) Risk Management Manual”, a global directive. CGMD follows this directive and based thereon has implemented both its own “ICG - Risk Manual, the German Credit Manual”, which meets the local requirements and an equally independent, risk-bearing capacity concept.

## 4.2 Overview of the types of risks

As described above, the Bank’s business activities create significant risks. The monitoring and control of such risks is described below:

### 4.2.1 Market risk

The most important types of trading businesses offered by CGMD from a risk perspective are

- Warrants in equity, commodity and foreign exchange assets as well as the corresponding hedging transactions
- Issuance and trade in investment certificates in equity, commodity and foreign exchange as well as the corresponding hedging transactions
- Money market transactions with credit institutions
- Interest rate swaps & interest rate futures, mainly to hedge interest rate positions
- Securities borrowing (to a lesser extent))

In order to assess the risk position in Trading and Risk Treasury, all individual transactions are marked to market on a daily basis. The prices underlying the valuation are obtained directly from independent external sources or calculated using globally recognized pricing models. The market parameters used in this process are imported automatically into the valuation system or are compiled manually by the traders. The market parameters are fastidiously checked by the market surveillance office by comparing them with independent external sources. Based on these data, the current market values and the daily gains and losses are assessed independently from the trading function.

The risk exposures in the trading books and in Treasury are quantified daily. This is carried out by means of factor sensitivity analyses that evaluate all trade transactions both in terms of their price relevant market factors (foreign exchange, equity and equity index spot prices, yield curves and interest rate volatility, currencies, commodities) and in terms of the changes in value that would occur in the event of a standardized market movement. This provides an overview on the risk profile of the individual trading portfolios and the entire trading portfolio.

In addition, we quantify the loss potential of each market factor and calculate the “value at risk” (“VaR”), taking into account the correlation between the market factors. The VAR quantifies the maximum loss to be expected from a trading book during a holding period of one day and with a confidence level of 99% (2.33 standard deviation). The calculation also takes into account the specific risks of individual stocks (beta risk).

VaR is calculated using a Monte Carlo simulation, which Citi carries out centrally from New York for all trading activities and which is based on uniform valuation criteria. The volatilities of the individual market factors and their correlations are determined on an empirical basis.



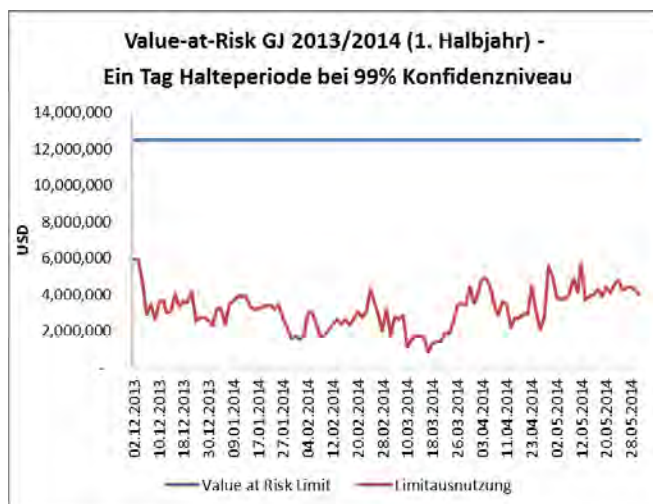
In addition, to stimulate extreme market changes, analyses of stress tests are carried out in regular intervals and, in specific situations, on an *ad hoc* basis.

In line with the risk quantification model, the Bank has defined limit structures and so-called “Management Action Triggers” for the individual trading books and for its Treasury (maximum loss potential for a pre-defined period of time).

Due to the complexity of the derivative trading activities, CGMD is connected to a Citi risk monitoring system that operates independently from the trading function. It shows the aggregate market price risk by products, currencies and markets and compares the risk exposures on the different levels to the relevant limits. The system generates daily reports (which highlight specific limit breaches where applicable). They are provided to Risk Controlling each morning. The trading-independent Risk Controlling function monitors compliance with the limits and the escalation of the Management Action Trigger on a daily basis. The aggregated reports are provided to the Executive Board and the heads of the trading desks.

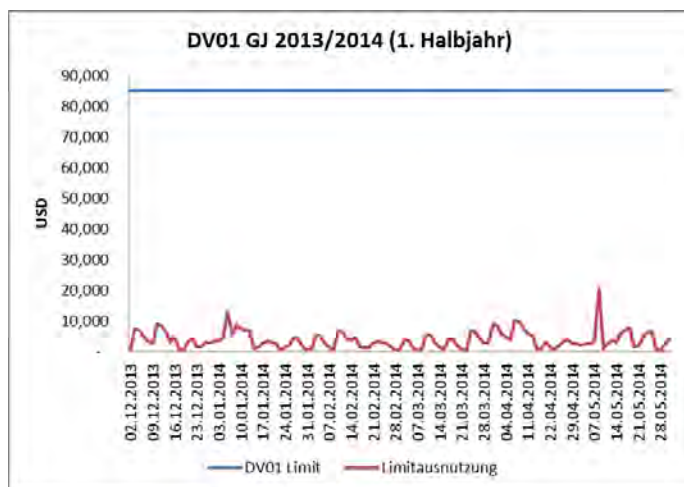
The globally conceptualized Value-at-Risk (VaR) model is subject to an annual, local model validation process in order to ensure that the global model parameters match the profile of the local market risk. Core elements of the validation process are the hypothetical back-testing method, which is carried out each day and the quarterly “Risk not in VaR Analysis”, which serves to identify and quantify such risks, which are not covered by the model calculation.

The diagram shown below presents an overview of the development of the Value-at-Risk in fiscal year 2013/2014. The figures shown must be seen relative to the total limit for the Value-at-Risk (USD 12.5 MM):



The Value at Risk limit was reduced in 2012 because the utilization of the limit and the underlying floor limit moved to a relatively low level. After the limit adjustment, the utilization in the first-half of fiscal year 2013/2014 was at approximately 40%.

The following diagram charts the risk of interest rate changes for the Bank's non-trading book [*Anlagebuchs*] in the first-half of fiscal year 2013 / 2014 in USD.



In this case as well, the Bank is exhibiting a relatively low utilization of the limit that was approved by management and totaled USD 85 M. The swapping of the Government bonds, which had been shown on the balance sheet for liquidity reserve purposes, with an equivalent cash reserve has led to a sustained reduction in the risk of an interest rate change, which is further justified due to the lower duration. In the short-term, no changes are expected.

#### 4.2.2. Credit risk

CGMD continuously monitors whether the lines of credit granted to the contractual parties and the counterparty limits for trade transactions as well as the issuer risks are being observed. Monitoring is performed by a department that operates independently of the Front Office (Trading, Banking). The Bank differentiates these credit risks between settlement risks and pre-settlement exposures. The settlement risk is the risk incurred by the Bank if the Bank duly performs under a contract on settlement day, but the client does not perform. The pre-settlement exposure is the risk incurred by the Bank if the client is unable to meet its obligations under a contract and the Bank must therefore cover the position in the market. The risk is calculated based on the "mark-to-market" valuation of the client exposure.

The Bank defines limits for various credit types according to the relevant counterparty, who may, where applicable, be generally assigned to a class of debtors under regulatory rules. These limits are approved by the competent decision-makers.

Reports on the different counterparty risks are generated by the system and analyzed on a daily basis. In the event of identified limit breaches, the responsible trader (including the head of the trading department) is informed without undue delay. Senior management will also be informed about these facts in its daily report.

For syndicated or bilateral credit facilities, the monitoring and daily reporting occur analogously.

The table below shows the structure of the loan portfolio according to types of loan and credit scores as of the end of the year on May 30, 2014:

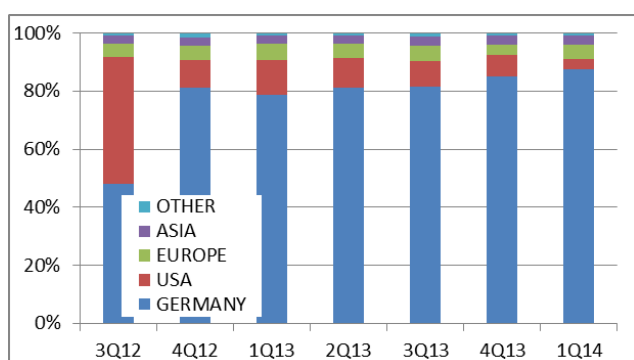
May_2014	Total (MM USD)			Direct			Contingent Liability			Clearing			PSR			STL		
FRR	#	Vol	%(Vol)	#	Vol	%(Vol)	#	Vol	%(Vol)	#	Vol	%(Vol)	#	Vol	%(Vol)	#	Vol	%(Vol)
1	42	5,265	23.7%	12	4,897	67.6%	28	362	33.1%	2	5	0.0%	0	0	0.0%	0	0	0.0%
2	27	122	0.6%	10	30	0.4%	7	28	2.6%	10	64	0.5%	0	0	0.0%	0	0	0.0%
3	234	4,413	19.9%	66	1,387	19.1%	48	275	25.1%	113	2,531	18.8%	5	86	34.4%	2	134	100.0%
4	307	9,554	43.1%	79	776	10.7%	64	281	25.7%	155	8,333	61.9%	9	164	65.6%	0	0	0.0%
5_7	232	2,813	12.7%	58	156	2.2%	30	133	12.2%	144	2,524	18.8%	0	0	0.0%	0	0	0.0%
8_9	3	16	0.1%	0	0	0.0%	2	15	1.4%	1	1	0.0%	0	0	0.0%	0	0	0.0%
10	0	0	0.0%	0	0	0.0%	0	0	0.0%	0	0	0.0%	0	0	0.0%	0	0	0.0%
Total	845	22,183	100.0%	225	7,246	100.0%	179	1,095	100.0%	425	13,457	100.0%	14	250	100.0%	2	134	100.0%

In this regard, the direct, bilateral credit facility with clients is summarized under the heading “Direct Exposure”, while “Contingent Exposures” covers contingent liabilities (aval guarantees) and “PSR” (Pre-Settlement Risk Exposure) covers fulfillment risk. Under “Clearing Risk”, revocable intra-day credit facilities are listed, which allow customers to settle cash and securities transactions.

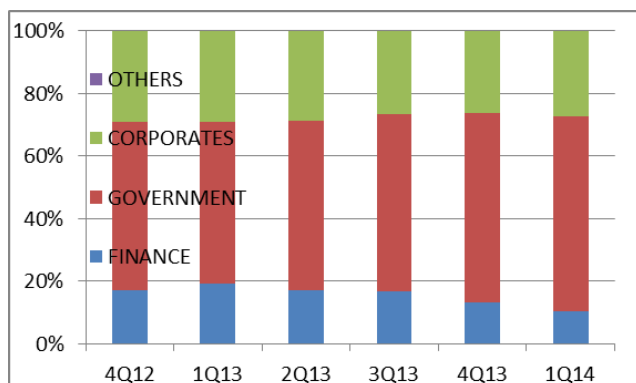
The credit scores listed in column 1 ( Facility Risk Rating (FRR)) are based on the likelihood of default (Probability of Default (PD)), which is calculated on a global basis, and the applicability of which is transparently established for the local loan portfolio, however, as part of the annual verification process. The PDs are also a significant component for the model calculation of the risk capital for credit risks. An FFR of 1 corresponds to a AAA (S&P) credit rating. A very large majority of the loan portfolio is managed with clients, whose credit rating is investment grade (FRR 4). In order to calculate the risk capital for the credit risks, other factors and parameters are also included such as “Loss Given Default” (loss ratio in the event of default) and the “Exposure at Default (amount of the receivables at the time of the default)”.

Zur Berechnung des Risikokapitals für Adressenausfallrisiken werden darüber hinaus noch weitere Faktoren und Parameter berücksichtigt, wie der “Loss Given Default“ (*Verlustquote bei Ausfällen*) und das “Exposure at Default (*Höhe der Forderung zum Zeitpunkt des Ausfalls*)“.

The following bar chart provides an overview of the loans made according to regions/sectors:



The strong concentration of loans made within Germany may be ignored here because this is the result of the implementation of the Bank's global strategy, which calls for clients - where possible - to be advised from the respective country even in outbound dealings..

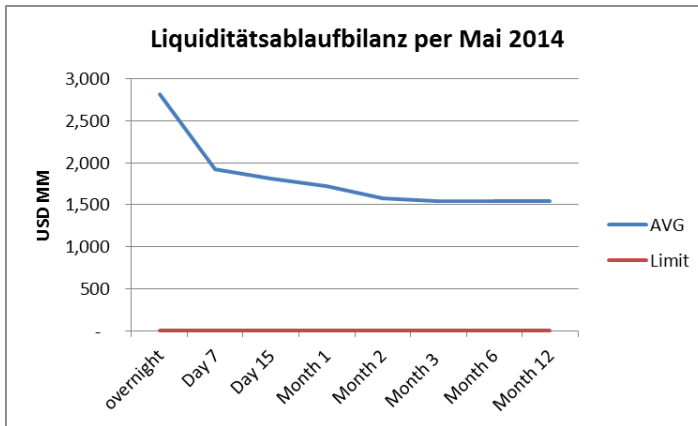


The high percentage of loans made to governments is based on the fact that CGMD has transferred its excess cash at the end of each given day with the German Bundesbank, an institution which is classified as "Government".

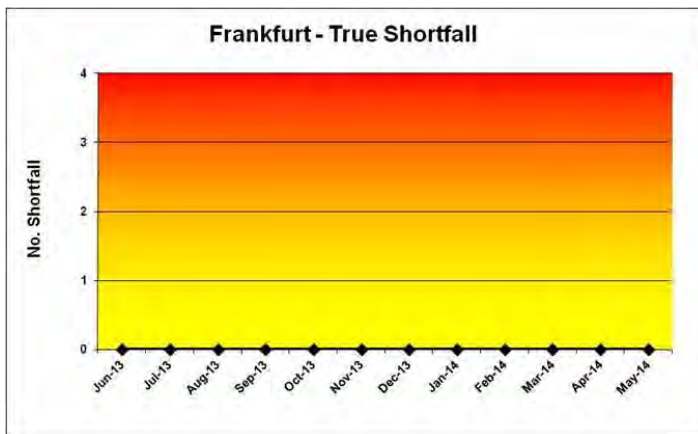
### 4.2.3 Liquidity risk

Liquidity risk is managed by the Treasury division. The controls are based on analyses of all cash flows according to products and currencies and include the monitoring of, and setting limits for, aggregated cash outflows and inflows. On a quarterly basis, this is complemented by scenario analyses in order to identify whether unexpected events could create liquidity squeezes and which corrective measures could be taken. Risk Controlling monitors compliance with the limits on a daily basis and shall keep the Executive Board seasonably informed of the Bank's liquidity situation. A liquidity reserve was formed in order to absorb potential distortions on the capital markets and the liquidity shortages resulting therefrom.

CGMD reports on all significant structural liquidity gaps beyond all maturities that are stipulated in the funding matrix (liquidity gap analysis). In the recently completed fiscal year, there were no limit breaches shown in the funding matrix. The following table shows the accumulated cash flow of CGMD distributed according to the relevant maturity ranges in May 2014. In the most recently completed fiscal year, the cash flow limits for all maturity ranges was set at zero. In other words, a negative cash flow within a given maturity range automatically triggers a limit transgression, which in turn prompts a corresponding escalation to senior management:



The following diagram provides an overview of the limit transgressions (breaches) that occurred in the most recently completed year, resulting from the funding matrix:



The refinancing risk and the market liquidity risk are taken into account each day through appropriate limits and monitoring. The market liquidity risk, which results primarily from warrants and certificates trading, is monitored through issuer limits with regard to the instruments underlying the derivative product. In this respect, a 100% loss of the underlying is simulated (so-called “jump-to-default”).

In addition, the Bank has structural, currently unused excess cash flow and adequate capital resources bridging results that adverse effect on liquidity.

#### 4.2.4 Pension fund risk

The Bank currently has three pension funds. However, the risk-bearing capacity calculation lists only two funds, for which CGMD bears an economic risk regarding the minimum return (yield) targets and a duty to make subsequent contributions. The calculation of the risk capital and the corresponding risk capital stress test is made using mathematical-statistical models (variance-covariance matrixes) and scenario analyses. The risk capital computed thereby is set forth in the relevant tables and diagrams for the risk-bearing capacity calculation.

The investment strategy is set by the Pension Fund Investment Committee, whereby the actual management of the fund is the responsibility of an outside fund manager.

#### 4.2.5 Operational risks

Operational risks are defined by CGMD as all risks which do not qualify as market, credit or liquidity risks. Operational risks are divided into the following categories:

- Internal Fraud
- External Fraud
- Employment Practices and Workplace Safety
- Clients, Products & Business Practices
- Damage to Physical Assets & Infrastructure
- Business Disruption & System Failures
- Execution, Delivery & Process Management

The responsibility for the implementation measures with respect to managing the operational risks lies with the department heads or the business managers below the Executive Board level. These persons are responsible for creating, documenting and regularly updating all work directives and control procedures. The supervision of the operational risk and the reporting thereof are the responsibility of the Country Risk Senior Manager.

The operational risk could be increased when processes are outsourced to internal and external service providers. CGMD has not developed a suitable infrastructure in order to assess and monitor the potential risks resulting from outsourcing.

The roles and responsibilities, as well as the documentation are defined in accordance with the applicable Citi Policies. Senior management shall be informed in a reasonable manner about the aforementioned risks through daily and monthly reports.

In order to record quantifiable risk findings, a database is used (Event Data Capture System), which also serves as a basis for the reports to senior management.

The operational risks in connection with the risk-bearing capacity calculation are quantified through an expert assessment. The Pillar 1 minimum capital requirement for the operational risks, which is computed using the standard approach, is duplicated once again here and included in the calculation of the risk-bearing capacity.

#### 4.2.6 Other significant risks

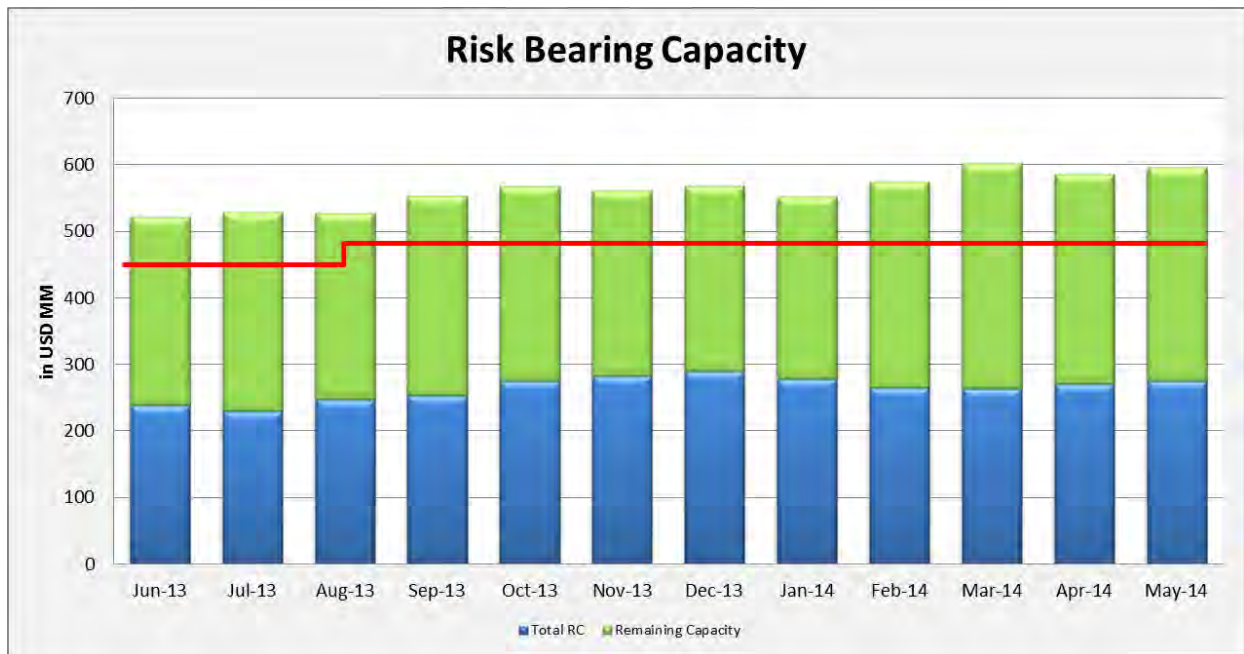
Since the reputation risk can emanate from all other risks, it is handled separately from operational risk. For the aforementioned reason, reputation risks are monitored and managed implicitly by controlling all risk categories from which a reputation risk could arise. An explicit monitoring of the reputation risk is carried out by the legal department because reputation risks could arise from complaints and litigation. A quantification as contemplated under the risk capital concept is handled through an expert assessment. The magnitude, which is calculated thereby, is derived from the risk capital for operational risks.

### 4.3 Total bank guidance for the strategy on risk bearing concept

The table below/graphical depiction shows the development of the economic capital requirements for each quantifiable and significant type of risk, which CGMD faced during the previous 12 months. The figures shown are in USD millions. Under the last column labeled “Trend”, the trend in the risk-bearing capacity is shown as a comparison to the respective month of the previous year. Concentration risks are implicitly taken into account by using the different risk capital models.

Month	Credit Risk	Market Risk	Operational Risk	Reputational Risk	Equity Risk	Pension Fund Risk	Total RC	Risk Bearing Capacity	Remaining Capacity	Trend
Jun-13	74.2	43.7	49.0	0	0	71.0	237.9	522.0	284.1	up
Jul-13	67.6	42.0	49.8	0	0	71.0	230.4	528.8	298.4	stable
Aug-13	74.4	39.8	49.6	12.4	0	71.0	247.2	527.0	279.8	down
Sep-13	70.1	48.7	50.7	12.7	0	71.0	253.2	553.6	300.4	up
Oct-13	79.7	60.4	51.2	12.8	0	71.0	275.1	568.1	293.0	stable
Nov-13	75.2	72.5	51.0	12.8	0	71.0	282.5	560.8	278.3	down
Dec-13	80.2	70.6	51.7	13.0	0	74.0	289.5	568.5	279.0	stable
Jan-14	77.0	64.1	50.7	12.7	0	74.0	278.5	552.1	273.6	stable
Feb-14	75.6	49.8	51.9	13.0	0	75.0	265.3	574.7	309.4	up
Mar-14	80.3	44.8	50.8	12.7	0	75.0	263.6	602.5	338.9	up
Apr-14	82.7	48.7	51.0	12.8	0	75.0	270.2	586.2	316.0	down
May-14	80.3	57.6	50.1	12.5	0	75.0	275.5	596.1	320.6	stable

The following graphical depiction shows the committed risk capital (dark portion of bars) in proportion to the aggregate risk coverage still available (shown in the light portion of bars) as “remaining capacity”:



The risk-bearing capacity was guaranteed at all times in the first-half of fiscal year 2013/2014, and the Bank has a suitable cushion of risk capital. The risk capital projection over the coming three fiscal years, which is carried out as part of the annual risk strategy process, also revealed that the risk-bearing capacity remains in

place after taking into account the targeted business development and the demands in the strategy process specified under the MaRisk (e.g., allowing for adverse stress scenarios).

#### **4.4 Summary description of the risk situation**

Given the improvements made in the entire risk management arena during the reporting period, the Bank has a tool that is customary in the industry and meets the requirements under the MaRisk.

The Bank holds adequate liquidity and capital resources in order to be able in a reasonable manner to cover all of the aforementioned risks and to be able at all times to support a sustained CGMD business development.

With regard to the future development of risk management, we refer to the Outlook section of this document.



## 5 Executive Board Responsibility Statement

# Executive Board Responsibility Statement

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We hereby state that to the best of our knowledge, the annual financial statements present, in accordance with the German principles of proper accounting, a true and fair view of the net assets, financial position and results of operations of the Bank and suitably present the opportunities and risks of the Bank's future development.

CGMD AG

The Members of the Executive Board

**Interim Balance Sheet as of May 31, 2014**  
**Citigroup Global Markets Deutschland AG, Frankfurt am Main**

**Assets**

	EUR	EUR	EUR	11/30/2013 TEUR
<b>1. Cash reserves</b>				
a) Petty cash		0.00		3
b) Credit balances held at central banks		<u>15,933,980.95</u>		31,509
of which: at the German <i>Bundesbank</i> (German Central Bank)				
EUR <u>15,933,980.95</u> (11/30/2013 TEUR <u>31,509</u> )				
c) Credit balances held at postgiro offices		<u>0.00</u>	<u>15,933,980.95</u>	31,512
<b>2. Receivables from banks</b>				
a) Due upon demand		<u>144,424,987.29</u>		331,737
b) Other receivables		<u>2,807,744,065.62</u>	<u>2,952,169,052.91</u>	2,960,425
<b>3. Receivables from clients</b>			<u>311,150,191.65</u>	178,462
of which: secured by real property security				
interests	EUR <u>0.00</u> (11/30/2013 <u>0</u> )			
Municipal Loans	EUR <u>0.00</u> (11/30/2013 <u>0</u> )			
<b>4. Debt securities and other fixed-income securities</b>				
a) Money market paper				
aa) issued by government institutions	<u>0.00</u>			-
ab) issued by others	<u>0.00</u>	<u>0.00</u>		-
b) Bonds and debt securities				
ba) issued by government institutions	<u>0.00</u>			-
of which: eligible as collateral with the German				
<i>Bundesbank</i>	EUR <u>0.00</u> (11/30/2013 TEUR <u>0</u> )			
bb) issued by others	<u>0.00</u>	<u>0.00</u>		
of which: eligible as collateral with the German				
<i>Bundesbank</i>	EUR <u>0.00</u> (11/30/2013 <u>0</u> )			
c) Bank's own debt securities		<u>0.00</u>	<u>0.00</u>	-
face value	EUR <u>0.00</u> (11/30/2013 <u>0</u> )			

<b>5. Equities and other variable-yield security</b>		102.26	-
<b>5a. Trading portfolio</b>		6,421,063,697.01	9,983,374
<b>6. Equity investments</b>		367,842.30	368
of which: in banks	EUR 217,842.30 (11/30/2013 TEUR 218 )		
in financial service institutions	EUR 0.00 (11/30/2013 0 )		
<b>7. Intangible assets</b>			
a) Internally generated industrial property rights and similar rights and assets		0.00	
b) Paid-for concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets		2,413.20	2
c) Goodwill		0.00	
d) Prepayments		0.00	
		2,413.20	
<b>8. Tangible assets</b>		2,282,286.68	2,111
<b>9. Other assets</b>		18,685,211.96	19,413
<b>10. Prepaid and deferred items</b>		1,518,804.73	1,332
<b>11. Excess of plan assets over post-employment benefit liability</b>		6,973,309.00	7,447
		<b>Total assets</b>	
		9,730,146,892.65	13,516,183

<b>Liabilities and Equity Capital</b>				
<b>11/30/2013</b>				
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>TEUR</b>
<b>1. Liabilities owed to banks</b>				
a) Payable on demand		<u>763,375,682.44</u>		909,614
b) Having an agreed term or notice period		<u>20,840,396.40</u>	<u>784,216,078.84</u>	15,244
<b>2. Liabilities owed to clients</b>				
a) Savings deposits				
aa) having an agreed notice period of three months	<u>0.00</u>			<u>0</u>
ab) having an agreed notice period of more than three months	<u>0.00</u>	<u>0.00</u>		<u>0</u>
b) Other liabilities				
ba) payable on demand	<u>1,036,403,580.27</u>			1,122,070
bb) having an agreed term or notice period	<u>824,931,078.83</u>	<u>1,861,334,659.10</u>	<u>1,861,334,659.10</u>	815,986
<b>3. Securities liabilities</b>				
a) Debt securities issued		<u>0.00</u>		74,446
b) Other securitized liabilities		<u>0.00</u>		<u>0</u>
of which:				
money market paper	EUR <u>0.00</u> (11/30/2013 TEUR <u>0</u> )			
own acceptance and promissory notes outstanding	EUR <u>0.00</u> (11/30/2013 TEUR <u>0</u> )			
c) Miscellaneous securitized liabilities		<u>0.00</u>	<u>0.00</u>	<u>-</u>
<b>3a. Trading portfolio</b>			<u>6,329,443,079.72</u>	9,905,293
<b>4. Other liabilities</b>			<u>110,768,343.87</u>	20,585



**Income Statement**  
of  
Citigroup Global Markets Deutschland AG, Frankfurt am Main  
for the period December 1, 2013 through May 31, 2014

	EUR	EUR	EUR	Dec 1, 2012 - May 31, 2013 TEUR
<b>1. Interest income from</b>				
a) Loans and money market transactions	<u>8,921,591.82</u>			9,271
b) Fixed-income securities and debt registered claims	<u>0.00</u>	<u>8,921,591.82</u>		0
<b>2. Interest expenses</b>		<u>4,874,178.02</u>	<u>4,047,413.80</u>	6,065
<b>3. Current income from</b>				
a) Shares and other variable-yield securities		<u>0.00</u>		0
b) Equity investments		<u>1,700.00</u>		3
c) Interests in affiliated enterprises		<u>0.00</u>	<u>1,700.00</u>	0
<b>4. Commission income</b>		<u>61,049,581.26</u>		44,522
<b>5. Commission expenses</b>		<u>1,432,107.51</u>	<u>59,617,473.75</u>	2,613
<b>6. Net income from financial trading operations</b>			<u>30,024,647.03</u>	28,813
<b>7. Other operating income</b>			<u>6,145,263.04</u>	5,097
<b>8. General administrative expenses</b>				
a) Personnel expenses				
aa) wages and salaries	<u>29,229,834.43</u>			33,204
ab) social securities contributions, pensions and welfare expenses, of which: for pensions	<u>5,311,202.95</u>	<u>34,541,037.38</u>		6,153
EUR 3,439,600.99 c 1, 2012-May 31, 2013 TEUR 3,664)				
b) Other administrative expenses		<u>35,909,790.32</u>	<u>70,450,827.70</u>	32,904
<b>9. Depreciation, amortization and write-downs of tangible and intangible assets</b>			<u>336,433.74</u>	354
<b>10. Other operating expenses</b>			<u>1,910,758.67</u>	456
<b>11. Write-downs of, provisions for, receivables and certain securities and additions to loan reserves</b>		<u>605,800.00</u>		4,519
<b>12. Income from reversal of write-downs of equity receivables and certain securities, and income from reversal of loan reserves</b>		<u>50,265.14</u>	<u>./ 555,534.86</u>	0
<b>13. Income from reversal of investments, interest in Affiliated Enterprises and long-term securities</b>		<u>0.00</u>	<u>0.00</u>	0
<b>14. Result from ordinary operations</b>			<u>26,582,942.65</u>	<u>1,438</u>

	EUR	EUR	EUR	Dec 1, -May 31, 2013 TEUR
15. Extraordinary income		<u>0.00</u>		0
16. Extraordinary expenses		<u>0.00</u>		0
17. Extraordinary result		<u>0.00</u>	<u>0.00</u>	0
18. Taxes on income and earnings		79,450.37		0
19. Other Taxes, to the extent not included under item 10		<u>0.00</u>	<u>79,450.37</u>	0
20. Profits transferred pursuant to a profit pooling, profit transfer or partial profit transfer agreement			26,503,492.28	1,438
<b>21. Annual net income</b>			<b>0.00</b>	<b>0</b>
22. Profit carried forward/loss carried forward from prior year			0.00	0
			0.00	0
23. Transfer from capital reserves			0.00	0
			0.00	0
24. Transfers from earnings reserves				
a) From legal reserve		<u>0.00</u>		
b) From reserve for treasury shares		<u>0.00</u>		
c) From reserves required by the Bank's articles of association		<u>0.00</u>		
d) From other earnings reserves		<u>0.00</u>	0.00	0
			0.00	0
25. Transfers from capital participation rights			0.00	0
			0.00	0
26. Transfers into earnings reserves				
a) To legal reserve		<u>0.00</u>		
b) To reserve for treasury shares		<u>0.00</u>		
c) To reserves required by the bank's articles of association		<u>0.00</u>		
d) To other earnings reserves		<u>0.00</u>	0.00	0
			0.00	0
27. Replenishment of capital with profit participation rights			0.00	0
28. Unappropriated earnings (balance sheet profit)			0.00	0



**Citigroup Global Markets Deutschland AG**  
**Frankfurt am Main**

**Notes to the Half-Year Financial Report as of May 31, 2014**

Citigroup Global Markets Deutschland AG (“CGMD”) is a German stock corporation with its registered offices in Frankfurt am Main, Germany. Since June 10, 2010, CGMD has been recorded in the commercial register of the District Court of Frankfurt am Main under registration number HRB 88301.

The fiscal year begins on December 1 and ends on November 30 of the following year.

The subscribed capital of Citigroup Global Markets Deutschland AG is TEUR 210,570. This capital is divided into 8,236,778 no-par value shares, which are held by Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG, Frankfurt am Main.

**1. Accounting and Valuation Methods**

The Half-Year Financial Report as of May 31, 2014 was prepared in accordance with the German Banking Act (KWG), the German Stock Corporation Act (AktG), the German Commercial Code (HGB), and the regulations concerning financial institution accounting.

The prior year comparative figures in the items on the balance sheet refer to figures as reported per November 30, 2013. The prior year comparative figures on the income statement refer to the period from December 1, 2012 through May 31, 2013.

Commercial law requirements concerning the valuation of ownership and liability items and relating specifically to banks were observed in the valuation of the assets and liabilities.

The valuation (recognition) of **financial instruments in the trading portfolio** is done at fair value less a risk discount in accordance with sentence one of § 340 e (3) HGB. The financial instruments are initially recognized at their cost of acquisition. In accordance with an official statement (RS BFA 2) of the Institute of Public Auditors in Germany (IDW), the follow-up valuation at fair value is based on the value at which competent parties, who are independent of one another but wish to contract, could exchange an asset or pay a liability and is performed pursuant to the hierarchical order of valuation criteria set forth in § 255 (4) HGB. Any financial instruments, for which no active market exists, will be valued using generally accepted valuation methods (above all, option pricing models). In general, these methods are based on estimates of future cash flow while taking into account any risk factors that may apply. The most important factors are the price of the underlying, implicit volatilities, yield curves and dividend forecasts. Where the stock market price is used in the valuation, the average stock market price shall apply.

As of May 31, 2014, the risk discount equaled TEUR 572 for the foreign currency risk trading book, TEUR 9,027 for the equities and index risk trading book, and TEUR 356 for the other trading book. The underlying value at risk (VaR) figure is based on a holding period of ten business days, a confidence level of 99% and an effective historical observation period of one year.

In addition, the Bank applied - as of the balance sheet date - a discount to the Other Price Risk Trading Book in the form of a “market value adjustment” totaling TEUR 881, which is calculated on the basis of a mathematical method and which factors in the model-linked price risks related to derivatives as well as the potential risks of loss upon repurchasing derivatives that the Bank itself had issued.

The trading portfolio in foreign currencies is valued using the foreign exchange rates published by the European Central Bank.

Money market transactions are recognized at their face value or settlement amount. Money market transactions in foreign currencies are measured on the basis of § 256a HGB in combination with § 340 h HGB.

**Receivables from banks** are stated at the repayment amount plus accrued interest. No write-downs were required in the first half-year of fiscal year 2014.

**Receivables from clients** are recorded at the repayment amount plus accrued interest less any allowances established to cover loan-related risks.

**Equity investments** are stated at their cost of acquisition less unscheduled write-downs.

Only **intangible assets**, which have been acquired for consideration, are stated at the costs of acquisition less straight-line amortization.

**Tangible assets** are stated at acquisition cost less straight line-depreciation.

**Liabilities owed to banks** and **liabilities owed to clients** are stated at their settlement amount [*Erfüllungsbetrag*] plus accrued interest.

The Bank established a hedge [*Bewertungseinheiten*] pursuant to §254 HGB, which it reports using the net hedge presentation method [*Einfrierungsmethode*]. It intends to preserve the hedge until the underlying transactions expire.

In connection with hedging the interest rate risk, the Bank recognized on its accounts numerous micro-hedges with a total of 7 **Schuldscheindarlehen** (loans that are documented with a certificate of indebtedness known as a “*Schuldschein*”) and a face value totaling TEUR 53,000. To ensure a refinancing structure with matching maturities, the fixed annual interest rate payments under the certificates of indebtedness which amounted to TEUR 2,531 were swapped for variable interest payments based on the 3-month Euribor by relying on interest rate swap agreements having matching maturities and matching amounts. On the balance sheet date, the Bank elected not to write-up the underlying transactions [*Schuldscheindarlehen*] resulting from the lower interest rate because they had been for the most part covered by the increase in the fair values [*Markwerte*] of the hedges (interest rate swap agreements). The fair value of the *Schuldscheindarlehen* is TEUR 10,466.7 over the book value.

The prospective and retrospective effectiveness testing is done using the critical term match method.

The hedge existing at the end of 2013 between a receivable and a loan participation note was reversed in April 2014 because the underlying and hedge transaction matured.

The **pension provisions** were valued on the basis of the projected unit credit method. Key principles underlying the valuation are the accrual-based allocation of pension benefits during the service relationship, for which commitments have been made and obligations taken on by affiliated enterprises under debt assumption agreements [*Schuldbeitrittserklärung*], and the actuarial assumptions that are used to calculate the present cash value of such future benefits. The value of the obligation as of the balance sheet date is the actuarial present cash value of all those benefits which, based on the pension formula under the plan, are attributable to the period of service completed up to that point in time. For 2014, CGMD had calculated an amount of TEUR 862 as the period of service expense on the basis of the debt assumption agreement and then charged this amount to the impacted companies.

The simplification rules under § 253 (2) sentence 2 HGB were used with respect to the pension provisions. In order to calculate the present cash value, the average market interest rate over the last 15 years based on the Bundesbank discount rates and totaling 4.79% was used as the actuarial interest rate. Future salary and wage increases were estimated at 2.25%, and at the same time, a 2.0% adjustment of the current annuities was assumed. The biometrical data was taken from the Heubeck 2005G mortality tables.

As part of the efforts to hedge the pension commitments, the Bank purchased or was contractually promised units in the **Rose** fund at costs of acquisition equaling TEUR 100,256.2. Moreover, liquid funds totaling TEUR 4,530.6 were transferred to Citibank Pensionsfund e.V. **Assets and liabilities were netted** in accordance with § 246 (2) sentence 2 HGB.

In the current fiscal year, an expense arose from the accrual of interest on the pension obligations in the amount of TEUR 2,739.3 (prior year: TEUR 235.0), while the change in the fair value of the plan assets resulted in income of TEUR 3,100.6 (prior year: TEUR 4,057.3). Both amounts were netted and then reported under other operating income.

On the balance sheet date, the fair value of the plan assets to be netted equaled TEUR 157,662.2 (prior year: TEUR 154,561.5). The settlement amount of the pension obligations that need to be netted - which equaled TEUR 150,688.9 (prior year: TEUR 147,114.2) - was netted in this same amount against the plan assets. The plan assets exceeding the settlement amount as of the balance sheet date were TEUR 6,973.3 and were reported under the item “Excess of plan assets over post-employment benefit liability” (prior year: TEUR 7,447.3).

Pension obligations also exist under the PAS, PRS and Deferred Compensation plans, which resulted from bonus conversions.

The obligations resulting from the **PAS and Deferred Compensation** plans are linked to the fair value of the relevant fund.

The acquisition costs of the fund units in the PAS Fund (**Sondervermögen PAS**) equal TEUR 4,631.40. On the balance sheet date, the fair value of the PAS Fund assets to be netted equaled TEUR 9,602.3 (prior year: TEUR 9,492.3) and the settlement amount of the liabilities to be netted equaled TEUR 9,602.3 (prior year: TEUR 9,492.3).

In the current fiscal year, the interest accrued on the liabilities yielded an expense in the amount of TEUR 111.1 (prior year: TEUR 467.1), and the change in the fair value of the plan assets resulted in income of TEUR 111.1 (prior year: TEUR 467.1). The components of the result are netted and reported under other operating income.

The costs in acquiring units of the **deferred compensation** fund totaled TEUR 9,209.2. On the balance sheet date, the fair value of the netted assets of the deferred compensation fund was TEUR 10,312.8 (prior year: TEUR 10,217.3). The settlement amount of the liabilities to be netted equaled TEUR 10,312.8 (prior year: TEUR 10,217.3).

In the current fiscal year, the discounting of the obligation generated income in the amount of TEUR 8.8 (prior year: TEUR 137.8), and the change in the fair value of the plan assets produced an expense of TEUR 8.8 (prior year: TEUR 137.8). These components of the result are netted and reported under other operating expenses.

In connection with hedging the obligations under the bonus conversion, the Bank purchased units of the **PRS** Fund at costs of acquisition equaling TEUR 37,657.9, and netted assets and liabilities pursuant to § 246 (2) sentence 2 HGB.

In the current year, the accrual of interest on the pension obligations generated an expense totaling TEUR 1,463.1 (prior year: TEUR 824.8). The change in the fair value of the plan assets resulted in an expense of TEUR 471.4 (prior year: TEUR 700.8). Current income in the amount of TEUR 97.5 (prior year: TEUR 117.8) was also generated. These components of the result were netted and reported under other operating expenses.

On the balance sheet date, the fair value of the plan assets to be netted equaled TEUR 41,543.1 (prior year: TEUR 40,598.7). The settlement amount of the pension obligations to be netted was TEUR 46,026.9 (prior year: TEUR 45,023.4) on the balance sheet date. The settlement amount exceeding the plan assets as of the balance sheet date totaled TEUR 4,483.8 (prior year: TEUR 4,424.7) and was reported under the item “pensions and similar obligations”.

All netted assets consist of liquid funds [*liquid Mitteln*] or units of equity funds. The funds are managed exclusively by outside managers, who invest the funds by purchasing publicly listed securities according to prescribed investor guidelines. The applied fair value for the assets is based on the overview of the individual fund assets as provided by the respective manager. Alternative valuation methods are not applied

All funds are outsourced under trusts or other fiduciary arrangements [*Treuhänderschaften*] and are therefore removed from the grasp of creditors in the event of a CGMD insolvency.

**Accrued liabilities** are created to cover liabilities, which existed on the balance sheet date but the precise amount of which was not known, and for any potential losses from open business transactions. The other accrued liabilities or provisions have a term to maturity of less than one year, except for the obligations under a phased retirement plan [*Altersteilzeitverpflichtungen*] and early retirement obligations.

As part of the efforts to hedge the early retirement obligations under commitment, the Bank executed reinsurance policies. The pledged reinsurance policies and the liabilities were netted in accordance with § 249 (2) sentence 2 of the HGB.

On the balance sheet date, the fair value of the plan assets to be netted equaled TEUR 2,931.2 (prior year: TEUR 2,613.5). The settlement amount of the early retirement obligations to be netted equaled TEUR 4,832.4 (prior year: TEUR 5,656.4) on the balance sheet date.

The settlement amount exceeding the plan assets as of the balance sheet date and equaling TEUR 1,901.3 (prior year: TEUR 3,042.9) was shown under the item “Other Provisions” (“*Sonstige Rückstellungen*“).

In light of the examination conducted to meet the requirements of setting aside a provision for threatened losses resulting from interest rate-driven transactions in the banking book [*Bankbuch*] (whether reported on the balance sheet or not) pursuant to § 340a in combination with § 249 (1) sentence 1, Alt. 1 HGB, CGMD applies the cash value approach in accordance with IDW’s official statement RS BFA 3.

The items, which are included in the loss-free valuation, relate to typical bank contractual relationships arising from the deposits and lending business and cover the entire CGMD banking book, including off-balance sheet transactions.

The future cash flow resulting from such transactions as well as the risk and administrative costs are discounted to present value on the basis of a risk-free yield curve after converting into the reporting currency, if required.

Dividing the existing transactions into separate time bands according to currency is carried out on the basis of their legally prescribed maturity dates. Net surplus (asset) positions in the respective time band are fictitiously closed out on the basis of the Bank’s own refinancing costs. Where there are net liability positions, the fictitious lending transaction is discounted at a risk-free rate. Viewed as of May 31, 2014, the fictitious closeouts have little effect on the present cash value reported in the banking book. The applied risk costs were calculated using a scenario computation taken from risk management. The administrative costs were derived from the internal accounts.

The calculation as of May 31, 2014 yielded no need for setting aside a provision to cover threatened losses from the valuation of interest-rate driven transactions.

The **total sum of the amounts, which are barred from payout distribution** within the meaning of § 268 (8) HGB (§285 no. 28 HGB) and which equals TEUR 62,835.2 (prior year: TEUR 70,328.4), results entirely from the capitalization of the plan assets at fair value in the amount of TEUR 219,120.5. Freely available provisions exceed the total sum of the amounts which are barred from payout distribution.

Accruals are set aside in the balance sheet for **contracts and pending legal disputes**, which could have an adverse affect on CGMD's financial condition.

**Income** and **expense** items are duly allocated to the period in which they were generated.

In accordance with § 256a HGB, **foreign currency positions** were converted into Euros at the exchange rate set by the ECB on the reporting date and published by the German *Bundesbank* system (ESCB reference rate).

## **2. Notes and explanations regarding the Balance Sheet and Income Statement**

We refer here to the notes and explanations contained in the management report.

### **3. Other notes**

The equity investments totaling TEUR 367.8 (prior year: TEUR 367.8) are not eligible for a stock market listing.

The asset shown on the **balance sheet, trading portfolio** (line item 5a), is divided into derivative financial instruments totaling TEUR 5,682,594 (prior year: TEUR 9,259,342), debt securities and other fixed-income securities in the amount of TEUR 454,731 (prior year: TEUR 481,991), and shares including and other variable-yield securities in the amount of TEUR 283,738 (prior year: TEUR 242,041). Of the shares and variable-yield securities, TEUR 283,738 (prior year: 242,041) were eligible or listed for trading on a stock market.

The item shown as other assets in the amount of TEUR 18,685.2 (prior year: TEUR 19,413.0) includes primarily tax receivables of TEUR 9,116.7 (prior year: TEUR 8,198.4),



initial margin payments made and totaling TEUR 6,462.8 (prior year: TEUR 6,965.7) and claims under non-pledged reinsurance policies of TEUR 2,134.7 (prior year: TEUR 2,608.6).

The liability shown on the balance sheet, **trading portfolio** (line item 3a), is divided into derivative financial instruments in the amount of 5,763,914 (prior year: TEUR 9,332,817) and liabilities in the amount of TEUR 565,529 (prior year: TEUR 572,477).

The item other liabilities in the amount of TEUR 110,768.3 (prior year: TEUR 20,584.9) relates primarily to liabilities under the profit transfer obligation and totaling TEUR 26,503.5 (prior year: TEUR 12,405.2), liabilities arising from the restructuring and totaling TEUR 1,764.7 million (prior year: TEUR 3,995.5), and investment income tax of TEUR 77,062.5 (prior year: receivable of TEUR 190.5).

The item entitled "other accrued liabilities" relates primarily to provisions made for restructuring, bonuses and early retirement obligations and totaled TEUR 4,153.2 in the fiscal year (prior year: TEUR 3,444.6). Provisions for bonuses were booked on the basis of the individual employees in an amount of TEUR 15,305.8 (prior year: EUR 21,220.0).

An affiliated enterprise has contributed silent partner capital in the amount of EUR 122.7 million (prior year: EUR 122.7 million). The silent partner's share of the profits as of May 31, 2014 was EUR 9.5 million, which will be allocated in its entirety to the silent partner.

The adjustments yielded in connection with a review of the invoicing of intra-group services for the period of 2005 – 2013 will be included in the second half of fiscal year 2014. Any adjustments which are required accordingly for the first 6 months of 2014 will likewise be included in the second half of 2014.

The contingent liabilities relate to guarantees and warranty agreements. These agreements stem from guarantees made in the amount of EUR 559.8 million (prior year: EUR 545.2 million).

The Bank believes that the likelihood that claims will be made under the guarantees and warranty contracts, which are shown in the balance sheet, is small due to the current credit-

standing of the beneficiaries. We have found no evidence that would compel us to reach a different conclusion.

Of the irrevocable credit lines granted in the amount of EUR 668.6 (prior year: EUR 732.9 million), approximately EUR 642.3 million (prior year: 678.5 million) had a term to maturity of more than one year. The lines of credit have been granted exclusively to non-banks.

As of the balance sheet date, the Bank had not engaged in any off-balance sheet transactions which fall within the meaning of § 285 no. 3 HGB and which were outside the ordinary course of business.

Citigroup Global Markets Deutschland AG is included in the subgroup financial statements of Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG, Frankfurt am Main, which is where the subgroup financial statements of Citigroup Global Markets Corporation & Co. beschränkt haftende KG may also be obtained. Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG is included in the consolidated financial statements of Citigroup Inc., as the ultimate parent company, which is headquartered in New York, 153 East 53rd Street and where the Citigroup consolidated financial statements may also be obtained.

Since 2001, Citigroup Global Markets Deutschland AG has had a branch office in London, which primarily handles the settlement of warrants transactions.

Transactions with related parties within the meaning of § 285 no. 21 HGB are made only on an arm's length basis.

The following persons are the members of the Executive Board of Citigroup Global Markets Deutschland AG

Dr. Jasmin Kölbl-Vogt, Frankfurt am Main, Bank Director,  
Samuel R. Riley, Bad Vilbel, Bank Director,  
Christian Spieler, Bad Homburg, Bank Director,  
Heinz Peter Srocke, Hanau, Bank Director,

Stefan Wintels, Frankfurt, Bank Director.

The Supervisory Board consists of the following members:

Hans W. Reich, Kronberg, Bank Director, Chairman,

Bradley Gans, London, Bank Director, Deputy Chairman,

Reiner Henszelewski, Frankfurt am Main, Salaried Bank Employee, Employee Representative.

Frankfurt am Main, July 24, 2014

Citigroup Global Markets Deutschland AG

\_\_\_\_\_  
Dr. Jasmin Kölbl-Vogt

\_\_\_\_\_  
Samuel R. Riley

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Christian Spieler

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Heinz P. Srocke

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Stefan Wintels

**Statement related to the Half-Year Financial Report as of  
May 31, 2014  
of Citigroup Global Markets Deutschland AG  
pursuant to § 37y in connection with § 37w (2) no. 3 of the German  
Securities Trading Act (WpHG)**

To the best of our knowledge, we hereby represent that in accordance with the applicable accounting principles, the Half-Year Financial Report of Citigroup Global Markets Deutschland AG gives a true view of the Bank's net assets, financial position and results of operation and that the interim management report presents a true view of the business performance (including the business results and condition of the Bank) and describes the significant opportunities and risks regarding the anticipated development of the Bank.

Frankfurt am Main, July 24, 2014

Citigroup Global Markets Deutschland AG

[Illegible signature]  
Dr. Jasmin Kölbl-Vogt

[Illegible signature]  
Samuel Riley

[Illegible signature]  
Christian Spieler

[Illegible signature]  
Heinz P. Srocke

[Illegible signature]  
Stefan Wintels

**SIGNATURES**

Frankfurt am Main, 13 August 2014

**Citigroup Global Markets Deutschland AG,  
Frankfurt am Main**

by Dirk Heß  
Director

by Steffen Thomas  
Vice President